

TABLE OF CONTENTS

| | Page |
|--|-------------|
| Defense Supply Center Philadelphia Organization Overview..... | ii |
| Glossary of Acronyms | viii |
| Category 1 Leadership | 1 |
| 1.1 Organizational Leadership | |
| 1.2 Public Responsibility and Citizenship | |
| Category 2 Strategic Planning | 6 |
| 2.1 Strategy Development | |
| 2.2 Strategy Deployment | |
| Category 3 Customer Focus | 10 |
| 3.1 Customer and Market Knowledge | |
| 3.2 Customer Satisfaction and Relationship | |
| Category 4 Information and Analysis | 15 |
| 4.1 Measurement of Organizational Performance | |
| 4.2 Analysis of Organizational Performance | |
| Category 5 Human Resource Focus | 24 |
| 5.1 Work Systems | |
| 5.2 Employee Education, Training and Development | |
| 5.3 Employee Well-Being and Satisfaction | |
| Category 6 Process Management | 31 |
| 6.1 Product and Services Processes | |
| 6.2 Support Processes | |
| 6.3 Supplier and Partnering Processes | |
| Category 7 Business Results | 36 |
| 7.1 Customer Focused Results | |
| 7.2 Financial Performance Results | |
| 7.3 Human Resource Results | |
| 7.4 Supplier and Partner Results | |
| 7.5 Organizational Effectiveness Results | |

BUSINESS OVERVIEW

1. BASIC ORGANIZATION DESCRIPTION

Size, Location, and Profile of Employees

Defense Supply Center Philadelphia (DSCP) is a combat support agency responsible for a full range of supplies and logistical services to the U.S. Armed Forces throughout the world in peace and war. The current DSCP organizational structure is on page vii.

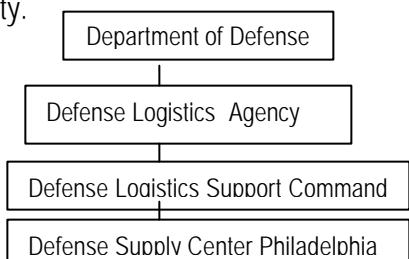
Located in Philadelphia, Pennsylvania, DSCP employs 2,986 civilian employees and 77 military personnel. Our employees work under 152 different job classifications, with 64% of our work force specialized in acquisition and supply chain management. The remaining 36% are in support fields. The American Federation of Government Employees represents our work force, with 20% as dues-paying members. DSCP also maintains additional CBU offices in Pearl Harbor, HI (DSCP-Pacific) and in Mainz Kastel, Germany (DSCP-Europe). DSCP manages over 28 branch offices throughout the U.S., Europe and the Pacific (with an average of 2 - 3 field representatives at most sites).

We are a diversified organization.

| | | | | |
|-----------|----------------------------|------------------------------|--------------------------|---------------------------|
| Gender | Male 44 % | Female 56 % | | |
| Race | White 70 % | Black 26 % | Hispanic 2 % | Asian 2 % |
| Education | High School & Less 34 % | Less than Bachelor's 26 % | Bachelor's Degree 31% | Master's or Better 9 % |

DSCP Demographics (Chart OV-1)

This chart shows our organizational position in the federal community.



Relationship to Parent Organization (Chart OV-2)

DSCP is a sub-unit of Defense Logistics Support Command (DLSC) and represents about 20% of DLSC's total personnel strength. Our products and services are different from other DLSC activities. Most of DSCP managed items are commercially available items purchased under prime vendor contracts for our military services and non-DoD activities such as the U.S. Coast Guard. The other DLSC activities manage primarily "weapon systems" related items. DLSC provides funding guidance to DSCP for our overall operation and maintenance.

Mission, products and services.

Our Mission: To provide food, clothing and textiles, medical supplies and equipment and general and industrial items in support of the Department of Defense (DoD) military services, federal & civil agencies, and foreign countries.

Our Vision: To be the logistics partner to the warfighter by providing supplies and services world-wide when and where needed; enhanced readiness through focused logistics with a forward presence and a world class workforce.

We Value:

- Our people and our diversity.
- Our personal and organizational integrity.
- Trusting and empowering our people to care for the interest of our customers.
- Innovating to improve our business practices and procedures through teamwork.

Annual Sales

In FY 99, DSCP sold over \$4.8 billion of food, clothing and textiles, medical supplies and general/industrial items to our 25,000 plus worldwide customers.

| Commodity | Annual Sales |
|---------------------|--------------|
| Clothing & Textiles | \$1.1B |
| Subsistence | \$1.2B |
| Medical Materiel | \$1.5B |
| General/Industrial | \$1.0B |

DSCP Sales (Chart OV-3)

Major Equipment and Technology Used

| Automated System | Key Features | Benefits |
|--|--|--|
| Automated System for Cataloging & Ordering Textiles (ASCOT) | Search a complete catalog by various methods such as item, NSN, or specs, order on-line, provides status, accepts credit card for billing. | Paperless processing of requisitions. Improved customer support. |
| Subsistence Total Order and Receipt Electronic System (STORES) | One stop shopping for all subsistence items from multiple vendors. | Automated processing of orders. Personalized services to customer. |
| Medical Electronic Catalog (ECAT) Ordering. | On-line catalog ordering of medical items. | Paperless processing of requisitions. Reduced lead-time for medical items. |
| Distribution and Pricing Agreement (DAPA) Management System | Enables suppliers to electronic submit price and product information. | Improves efficiency of obtaining pricing and product data information to our Prime Vendor customers. |
| On-line Report System (ORS) | Mainframe reports displayed in a client/server application. | Eliminates need for printing hard copy reports. |
| SAMMS Procurement Electronic Data Exchange (SPEDE) | Used to procure medical, clothing and textile items via EDI applications | Improves procurement actions and reduces lead time. |
| Defense Integrated Subsistence Management System (DISMS) | Provides an automated data base to support procurement actions. | Improve procurement actions. |
| Electronic Commerce/Electronic Data Exchange (EC/EDI) | Transact paperless contract solicitations and awards via computer. | Reduced Lead Time. Elimination of paper handling. |
| Defense Integrated Logistics-Network (DIL-Net) | On-line ordering for General/Industrial items. | Reduced Lead-Time – Paperless transactions. |
| Video-Teleconferencing (VTC) | Face-to-face conference calls and meetings with our customers. | Improved communications. Less travel expense. |
| General & Industrial Market Place(DMART) | Interactive ordering system an Internet Application. | 24 hours a day status availability—one stop shopping. |
| Credit Card Ordering System (C-COS) | Commercially operated phone answering service. | 24 hours a day telephone access for customers without internet capabilities. |
| DLA Pre-Award Contracting System (DPACS) | Paperless access to standard and special contracting clauses. | DoD wide acceptance/preference. |

Automated Systems in Use (Chart OV-4).

To put the enormity of our business in perspective, we support over 50,000 different customers, award more than 10,000 contracts annually and deal with a supplier base of over 9,000 companies. To meet the challenge of continuous improvement while maintaining optimum flexibility, we have relied on our ability to develop and deploy innovative, state-of-the-art automation technology (see chart OV-4 above).

The tremendous impact of Base Realignment and Closure (BRAC) actions both at DSCP and within the DoD forced us to pursue more dramatic and profound changes in the way we conduct our business. Our use of technology has enabled us to maintain our workload effectiveness while reducing our personnel strength by over 40% in the last ten years.

2. Principal Factors Determining Performance Success.

The greatest challenge facing DSCP, and in fact the entire DoD, is how to maintain a readiness posture in an era of budget cuts, global markets, and competition. DSCP must sustain, through contracts for peacetime requirements, a robust logistics support system capable of responding to rapid changes in demand at a lower cost.

The US Government regulates two of our four commodities. Medical and pharmaceutical items are regulated by the US Federal and Drug Administration (FDA). Subsistence items are regulated by FDA, US Department of Agriculture (USDA), US Department of Commerce (USDC).

3. Customer Requirements (See also Chart OV-6 on page vi). DSCP is organized in four separate commodity directorates along customer market segments and product lines. The chart at page vi is a description of what we supply and to whom. DSCP has three key business processes to help deliver our key process/service. They are:

- Acquiring products and services.
- Managing supplies.
- Integrating supply chain

DSCP is a leader in its ability to support innovative commercial business practices. We have firmly incorporated supplier/vendor partnerships that deliver product and services to our customer within 24 hours. This partnership enables a vendor to deliver products right to the point of use, with consumption rates and replenishment monitored by the contractor. Utilizing this type of system, the customer will pay only for what they use, eliminating the need to invest diminishing fiscal resources in stagnant inventory. This reduction in inventory investment will allow the customer to reprogram the much-needed funds into other critical areas.

Simplifying the customer relationship through a reduction in the number of players to a “single face to the customer,” combined with expanded use of the credit card to simplify ordering and billing, and the institution of electronic data interchange, provide a total package to ease the process for the customer, and increase customer satisfaction to unprecedented levels.

4. Supplier and Partnering Relationships

In FY 99, we bought products totaling nearly \$4.5 billion from over 9,000 suppliers. Our top ten suppliers by dollar volume account for over 10% of total purchases. The distribution of suppliers with the number of prime vendor's

contractors by each of commodity groups is shown below:

Prime Vendor Contractors

| Commodity | # of PV | Requirements |
|-------------|---------|--|
| C&T | 6 | On-time delivery, Anticipate Demands |
| G&I | 24 | On-time delivery, 100% right items |
| Subsistence | 57 | Delivery within 2 hours with min of 98 % fill and no substitutions |
| Medical | 14 | On-time delivery |

Chart OV-5)

General Suppliers

| Commodity | # of Suppliers | Requirements |
|-------------|----------------|---------------------------|
| C&T | 1,850 | Meets Delivery schedules |
| G&I | 4,200 | Delivery schedule/quality |
| Subsistence | 1,000 | Delivery schedule |
| Medical | 707 | Delivery schedule |

(Chart OV-6)

Military readiness is our overarching reason for existing. DSCP is the Supply Chain Manager that ensures the logistics system meets the needs of the services in war, as well as in peace. DSCP is the “logistical integrator” for the military. In order to maintain readiness, we foster close and strong partnerships with our suppliers and customers. All four of our commodities maintain their respective traditional commercial industrial base and supplier programs. Additionally, we utilize new business initiative contracts, such as Prime Vendor, which are single distributors who support a group of customers in a geographic area. DSCP customers have realized significant benefits from this program. Very prompt delivery, choice of commercial products, high product quality, and dependable, consistent service are hallmarks of the Prime Vendor Program. Through its strong partnerships with the Small Business community (small, small disadvantaged, and small women-owned businesses), and Javits-Wagner-O'Day Act (JWOD) entities, DSCP is able to build long-term relationships that are vital to the maintenance of a vibrant and diversified industrial base. Annual contract awards to small business

concerns exceeded \$1.2 billion for six consecutive years. In FY 99, JWOD obligations exceeded \$100 million.

Special Requirements/Relationships

We are governed by the Federal Acquisition Regulation, and the Defense Department Supplement and are subject to the authority, direction, and control of the Secretary of Defense. Our authority is delegated from Department of Defense through the Director, DLA. We operate under the Defense Working Capital Fund (DWCF) concept that requires us to pay for our overhead costs through surcharges on sales. In this respect, we are forced to operate like any business that must cover the cost of operations through generation of revenue.

5. Other Strategic Factors.

Major New Thrust: Readiness Based Decision Support

DSCP manages a research & development (R&D) program. The primary focus of the program is readiness as it relates to DLA's shift to commercial business practices. DSCP has been working with two contractors to develop decision support prototypes aimed at improving DLA's ability to support the warfighter. One prototype development effort is called Readiness Decision Support System (RDSS). An operational prototype of RDSS will soon be delivered to DSCP. The R&D effort utilized a sampling of 50 items in the Medical Pharmaceutical business area; an area with a wide variety of commercial and readiness business arrangements to include Prime Vendor Surge, Vendor Managed Inventory, Navy Fleet Prime Vendor, Stock Rotation contracts, and Corporate Exigency contracts. The objectives of this effort are: (1) to ensure the DLA has commercial and readiness business arrangements to support the warfighter and, (2) to utilize decision support capabilities to arrive at the least costly and most effective commercial and readiness arrangements for the warfighter.

The other prototype development effort addresses supply chain integration. Here, a contractor has developed a prototype called Process Tools. This application is designed to be utilized to model and monitor critical item

supply chains beginning at the raw material manufacturer and ending at a customer's location. The tool was first demonstrated using Clothing & Textile Temper Tents. Two raw materials and one end item manufacturer's process were modeled. This tool is presently being used to model the assembly process for Unitized Group Rations in the subsistence area. The intent here is to model the assembly process utilized in the United States and to then provide that model to overseas assemblers so that they can quickly establish an exact assembly process if a contingency arises.

DSCP's efforts in R&D are tied directly to DLA's overall program called Rapid Supply (RS). RS also includes efforts called Virtual Inventory Electronic Window (VIEW) and DLA Electronic Long Term Agreements (DELTA). These programs are designed to streamline the logistics process associated with ordering supplies. DLA, through its RS program, has teamed with US TRASCOM and DARPA to form the Advanced Logistics Program (ALP). ALP is a five-year effort designed to infuse new technologies into the logistics processes used by DoD along with achieving goals and objectives listed in the Focused Logistics Pillar of the Joint Vision 2010 doctrine.

DoD Electronic Mall (EMALL)

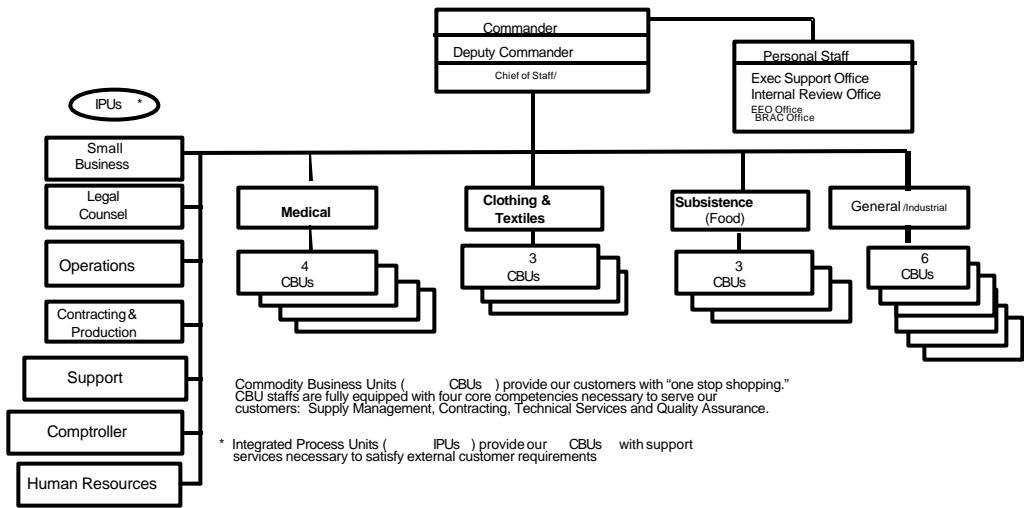
DSCP is a major supplier on the DoD Electronic Mall (EMALL). The EMALL provides our customers with the capability to search and order on-line through the Web, using either a Government credit card or military-standard requisitioning procedure. We provide the convenience of one-stop shopping, allowing a single search across all stores and catalogs within the MALL. All of our Subsistence Rations Items can now be ordered through the EMALL along with approximately 10,000 medical stocked and non-stocked items. The Clothing & Textiles ASCOT and the Medical ECAT are both major storefronts on the EMALL. We expect to add additional vendor catalogs to the EMALL, especially within the Subsistence and Clothing and Textiles commodity Directorates.

| | Subsistence | Medical | Clothing & Textiles | General/Industrial |
|--------------------------------|---|--|--|---|
| Principal/Typical Products | Dairy, breads and bakery items, coffee, tea, soda, meals, fresh fruits and vegetables, juices, meals ready to eat (MREs), and operational rations | Pharmaceuticals, Medical Surgical items, medical equipment, dental items, and biological systems | Dress uniforms, coats, trousers, shirts, skirts, slacks, footwear, underwear, and battle dress uniforms, protective items, accessories (belts, buckles, neckties and physical fitness uniforms). Also, tents, equipment, special purpose clothing, insignias, heraldics, flags, cold weather and chemical protective clothing for military and other federal customers | <p>Wood Products – hardwoods, softwoods, plywood, veneer, millwood, poles, pilings and bulk lumber</p> <p>Food Service Equipment</p> <p>Field Feeding</p> <p>Imaging and Information – film, paper, chemicals, cameras & processing equipment and new technology such as digital cameras, computers, printers and scanners</p> <p>Marine Lifesaving & Diving – helmets, scuba gear, masks, life vests and hydraulic tools</p> <p>Fire Fighting - aircraft/crash rescue, hazardous material response or emergency medical services</p> <p>Move & Store Material – heavy equipment, material handling, storage systems (rope & rigging) and containers</p> <p>Facilities Maintenance – building materials, plumbing supplies, lumber, lighting</p> <p>General Hardware – miscellaneous hardware, knobs and pointers, fasteners, gaskets, packing and seals, synthetic rubber products and O-rings</p> <p>Metals & Metal Products – bulk metal or semi-finished metal products – carbon steel, stainless steel, aluminum, nickel, copper, brass, titanium and other industrial metals in a variety of shapes and forms</p> <p>All customer segments not only procure items they provide related services.</p> |
| Principal Customers Within DoD | Army, Navy, Air Force & Marine Corps, Defense Commissary (DeCA) | Military Treatment Facilities, US Army Medical Materiel Command, Europe. | Army, Navy, Air Force & Marine Corps | Army, Navy, Air Force & Marine Corps |
| Non-DoD | USDA, Federal Prisons, Job Corps, Dept of Int/Burbau of Ind Affair | Veterans Administration (VA) Hospitals | Coast Guard, General Service Administration, NATO | Coast Guard, U.S. Dept. Transportation, NASA, foreign military |
| Number of Customers DoD | Over 2,000 | 8,500 | 12,247 | Over 18,000 |
| Non-DoD | Over 10,000 | 400 | 1,778 | |
| Customer Requirements | Readiness, customer service | Availability, cost, quality, response time | Military Specifications, Readiness, Cost | Availability, cost, response time, quality, ease of doing business |
| Special Regulations | Berry Amendment, JWOD | Berry Amendment, JWOD t | Berry Amendment Mandated Directives | Federal Acquisition Regulation, Defense Working Capital Fund (DWCF) |
| Competitors | Military Services, VA, DeCA, Commercial Food Distributors | VA | Army & Air Force Exchange System (AAFES), Military Services | General Service Administration Fleet Industrial Supply Center (FISC), (AAFES), Navy Exchange Commissary (NEXCOM) |

DSCP Products, Customers, Requirements, Regulations and Competitors (Chart OV-7)

The current DSCP organization structure is charted below. (Chart OV-8).

DSCP ORGANIZATION STRUCTURE



GLOSSARY OF ACRONYMS

| | |
|---------|--|
| ACO | Administrative Contracting Officer |
| ASCOT | Automated System for Cataloging and Ordering |
| BCA | Business Case Analysis |
| BCC | Business Counseling Center |
| BRAC | Base Realignment and Closure |
| COTS | Commercial Off-the-Shelf |
| CBU | Commodity Business Units |
| CDMIS | Customer Demand Management Information System |
| CORANET | Combat Rations Network |
| C&T | Clothing & Textiles |
| DAPA | Distribution and Pricing Agreement |
| DAWIA | Defense Acquisition Workforce Improvement Act |
| DESEX | Defense Supply Expert System |
| DeCA | Defense Commissary Agency |
| DILNET | DISC Inventory Locator Network |
| DISMS | Defense Integrated Subsistence Management System |
| DCMC | Defense Contract Management Center |
| DFAS | Defense Finance Accounting Center |
| DISA | Defense Information Systems Agency |
| DISC | Defense Industrial Supply Center |
| DSO | Defense Subsistence Office |
| DLA | Defense Logistics Center |
| DoD | Department of Defense |
| DODAAC | Department of Defense Activity Address Code |
| DPSC | Defense Personnel Support Center |
| DSCP | Defense Supply Center Philadelphia |
| DRMO | Defense Reutilization and Marketing Office |
| DVD | Direct Vendor Delivery |
| EC | Electronic Commerce |
| ECP | Engineering Change Proposal |
| EDI | Electronic Data Interchange |
| EDS | Electronic Data Systems |
| EEO | Equal Employment Opportunity |
| EIS | Executive Information System |
| ESC | Executive Steering Group |
| ESOC | Emergency Supply Operation Center |
| EXCEL | Excellence in Career Experience and Learning |
| FAR | Federal Acquisition Regulation |
| FASA | Federal Acquisition and Streamlining Act |
| FEB | Federal Executive Board |
| FEHB | Federal Employees Health Benefits |
| FMS | Foreign Military Sales |
| FY | Fiscal Year |
| GAO | Government Accounting Office |
| GED | General Education Development |
| GM | General Manager |
| GPRA | Government Performance and Results Act |

| | |
|----------|---|
| GS | General Schedule |
| GSA | General Services Administration |
| HDR | Humanitarian Daily Rations |
| ICP | Inventory Control Point |
| IDP | Individual Development Plan |
| IM | Inventory Manager |
| ISO-9000 | International Organization for Standardization |
| JLSC | Joint Logistics Systems Center |
| LAN | Local Area Network |
| LRT | Logistics Response Time |
| LTC | Long Term Contracting |
| LWOP | Leave Without Pay |
| MBA | Mentoring Business Agreement |
| MECA | Medical Electronic Customer Assistance |
| MEDEX | Medical Air Express |
| MELCA | Medical Electronic Customer Assistance |
| MIS | Management Information System |
| MOA | Memorandum of Agreement |
| MRE | Meals, Ready to Eat |
| MSPB | Merit Systems Protection Board |
| NAVICP | Navy Inventory Control Point |
| NFISC | Navy Fleet and Industrial Support Center |
| NPR | National Performance Review |
| OJT | On-the-Job Training |
| OTS | On-the-Spot-Award |
| PAT | Process Action Team |
| PALT | Procurement Lead Time |
| PAT | Process Action Team |
| PCO | Procurement Contracting Officer |
| PPC | Product and Price Comparison Tool |
| PQS | Professional Qualifications Standards Program |
| POM | Program Objective Memorandum |
| PQDR | Product Quality Deficiency Report |
| QR | Quick Response |
| QSI | Quality Step Increase |
| RAB | Restoration Advisory Board |
| RDA | Research Development and Analysis |
| RIF | Reduction in Force |
| ROD | Report of Discrepancy |
| SAMMS | Standard Automated Materiel Management System |
| SPG | Strategic Planning Group |
| SPVI | Subsistence Prime Vendor Interpreter |
| SSP | Sustained Superior Performance Award |
| STORES | Subsistence Total Order |
| SWOT | Strengths, Weakness, Opportunities, and Threats |
| TQM | Total Quality Management |
| UGR | Unitized Group Ration |
| UMR | Unsatisfactory Materiel Report |
| UPR | Universal Products Number |

| | |
|--------------|--|
| USHBP | Uniformed Services Health Benefits Program |
| USTF | Uniformed Services Treatment Facilities |
| USDA | United States Department of Agriculture |
| UTP | Unitized Tray Pack |
| VMI | Vendor Managed Inventory |